

**CITY OF MARION, KANSAS**

Financial Statements With Independent Auditors' Repo

For the Year Ended December 31, 2010

**CITY OF MARION, KANSAS**  
Financial Statements With Independent Auditors' Report  
For the Year Ended December 31, 2010

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Certified  
Public  
Accountants

## INDEPENDENT AUDITORS' REPORT

To the City Council  
**City of Marion, Kansas**  
Marion, Kansas

We have audited the accompanying financial statements of **City of Marion, Kansas**, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of **City of Marion, Kansas'** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the City's legally separate component unit, Housing Authority of the City of Marion, Kansas, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of **City of Marion, Kansas**, as of December 31, 2010, and the changes in its financial position, and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Housing Authority of the City of Marion, Kansas, will be issuing separate reporting entity financial statements.

As described more fully in Note 1, **City of Marion, Kansas**, has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with the accounting principles generally accepted in the United States of America, the financial position of **City of Marion, Kansas**, as of December 31, 2010, or the changes in its financial position for the year then ended. Further, **City of Marion, Kansas** has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

**City of Marion, Kansas**  
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In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **City of Marion, Kansas**, as of December 31, 2010, and their respective cash receipts and disbursements and budgetary results for the year then ended on the basis of accounting described in Note 1.

A handwritten signature in black ink, appearing to read "Adams, Brown, Beran & Ball", written in a cursive, flowing style.

**ADAMS, BROWN, BERAN & BALL, CHTD.**  
Certified Public Accountants

August 22, 2011

**CITY OF MARION, KANSAS**  
Summary of Cash Receipts, Expenditures, and Unencumbered Cash  
For the Year Ended December 31, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
<b>Governmental Fund Categories</b>							
General Fund	\$ 228,576	-	1,354,222	1,520,908	61,890	31,103	92,993
<b>Special Revenue Funds</b>							
Library Fund	1,399	-	138,028	136,113	3,314	49	3,363
Special City Highway Fund	79,523	-	65,425	89,405	55,543	-	55,543
Special Park and Recreation Fund	1,084	-	832	27	1,889	-	1,889
Equipment Reserve Fund	13,090	-	201,797	144,000	70,887	-	70,887
Capital Improvement Fund	93,289	-	806,505	432,345	467,449	563	468,012
<b>Debt Service Fund</b>							
Bond and Interest Fund	7,308	-	395,558	328,940	73,926	-	73,926
<b>Proprietary Fund Category</b>							
Enterprise Fund							
Utilities Fund	515,633	-	2,680,774	2,672,737	523,670	8,081	531,751
<b>Fiduciary Fund Category</b>							
Private Purpose Trust Fund							
Special Law Enforcement Trust Fund	50	-	119	169	-	-	-
<b>Total Primary Government</b>	<u>939,952</u>	<u>-</u>	<u>5,643,260</u>	<u>5,324,644</u>	<u>1,258,568</u>	<u>39,796</u>	<u>1,298,364</u>
<b>Component Unit Funds</b>							
Library Board - General Fund	99,385	-	99,122	78,181	120,326	-	120,326
Library Board - Capital Improvement Fund	7,662	-	48	-	7,710	-	7,710
<b>Total Component Unit Funds</b>	<u>107,047</u>	<u>-</u>	<u>99,170</u>	<u>78,181</u>	<u>128,036</u>	<u>-</u>	<u>128,036</u>
<b>Total Reporting Entity (excluding a component unit)</b>	<u>\$ 1,046,999</u>	<u>-</u>	<u>5,742,430</u>	<u>5,402,825</u>	<u>1,386,604</u>	<u>39,796</u>	<u>1,426,400</u>
<b>Composition of Cash</b>				Checking Accounts			\$ 1,298,164
				Petty Cash			<u>200</u>
				Total Primary Government			1,298,364
				Total Component Unit			<u>128,036</u>
				<b>Total Reporting Entity (excluding a component unit)</b>			<u>\$ 1,426,400</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MARION, KANSAS**  
Summary of Expenditures - Actual and Budget  
For the Year Ended December 31, 2010

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
<b>Governmental Fund Categories</b>					
<b>General Fund</b>	\$ 1,540,368	-	1,540,368	<b>1,520,908</b>	(19,460)
<b>Special Revenue Funds</b>					
Library Fund	154,260	-	154,260	<b>136,113</b>	(18,147)
Special City Highway Fund	174,944	-	174,944	<b>89,405</b>	(85,539)
Special Park and Recreation Fund	1,389	-	1,389	<b>27</b>	(1,362)
<b>Debt Service Fund</b>					
Bond and Interest Fund	331,634	-	331,634	<b>328,940</b>	(2,694)
<b>Proprietary Fund Category</b>					
<b>Enterprise Fund</b>					
Utilities Fund	2,674,655	-	2,674,655	<b>2,672,737</b>	(1,918)

The notes to the financial statements are an integral part of this statement.

**CITY OF MARION, KANSAS**  
**General Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	(Under)
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 448,158	452,638	503,460	(50,822)
Delinquent Tax	7,747	8,195	5,000	3,195
Motor Vehicle Tax	71,443	74,864	79,536	(4,672)
Recreational Vehicle Tax	1,687	1,629	1,632	(3)
16/20M Vehicle Tax	1,380	1,494	1,552	(58)
Slider Tax	4,114	-	-	-
Local Alcoholic Liquor Tax	839	832	612	220
Local Sales/Use Tax	312,168	314,941	248,000	66,941
Excise Tax	38	74	-	74
Highway Connecting Links	10,165	10,172	10,165	7
Franchise Taxes	53,029	48,195	47,750	445
Dog Tags	3,156	3,378	1,970	1,408
Licenses, Permits, and Fees	7,216	5,298	2,300	2,998
Cemetery Fees	8,575	8,700	850	7,850
Rural Fire Contracts	19,341	7,138	9,800	(2,662)
Interest Income	3,139	2,311	40,000	(37,689)
Rent Income	64,826	61,491	58,319	3,172
Court Fines and Bonds	5,329	8,272	3,300	4,972
Fire Proceeds	-	-	5,000	(5,000)
Reimbursements	65,883	74,801	56,793	18,008
FEMA Reimbursements	10,844	402	-	402
Business Park Lot Sales	1	3,668	5,000	(1,332)
Miscellaneous	3,714	729	900	(171)
Transfers In	190,000	265,000	265,000	-
<b>Total Cash Receipts</b>	<u>1,292,792</u>	<u>1,354,222</u>	<u>1,346,939</u>	<u>7,283</u>
<b>Expenditures</b>				
<b>General Government</b>				
Personnel Services	151,256	160,474	147,013	13,461
Contractual Services	28,057	22,885	36,000	(13,115)
Commodities	32,436	60,798	46,682	14,116
Capital Outlay	3,551	2,661	500	2,161
Sales Tax	42,311	48,177	65,412	(17,235)
<b>Total General Government</b>	<u>257,611</u>	<u>294,995</u>	<u>295,607</u>	<u>(612)</u>
<b>Senior Citizens Housing Authority</b>				
Personnel Services	50,811	55,131	48,443	6,688
Appropriation	1,000	1,000	1,000	-
<b>Total Senior Citizens Housing Authority</b>	<u>\$ 51,811</u>	<u>56,131</u>	<u>49,443</u>	<u>6,688</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MARION, KANSAS**  
**General Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Expenditures (continued)</b>				
<b>Cemetery</b>				
Personnel Services	\$ 50,108	43,739	51,278	(7,539)
Commodities	10,345	8,332	8,700	(368)
<b>Total Cemetery</b>	60,453	52,071	59,978	(7,907)
<b>City Building</b>				
Personnel Services	13,916	4,683	25,338	(20,655)
Commodities	19,880	20,421	16,300	4,121
<b>Total City Building</b>	33,796	25,104	41,638	(16,534)
<b>Flood Control Project</b>				
Commodities	5,955	2,724	8,800	(6,076)
Capital Outlay	2,847	2,936	15,500	(12,564)
<b>Total Flood Control Project</b>	8,802	5,660	24,300	(18,640)
<b>Fire</b>				
Personnel Services	10,050	9,794	12,918	(3,124)
Commodities	17,584	23,657	21,900	1,757
<b>Total Fire</b>	27,634	33,451	34,818	(1,367)
<b>Library Program</b>	1,893	3,990	450	3,540
<b>Museum</b>				
Personnel Services	3,354	3,229	3,230	(1)
Commodities	2,354	2,299	2,900	(601)
<b>Total Museum</b>	5,708	5,528	6,130	(602)
<b>Recreation</b>				
Appropriation	17,000	17,000	17,000	-
<b>Park</b>				
Personnel Services	31,140	41,875	18,161	23,714
Commodities	16,857	23,288	11,650	11,638
Capital Outlay	1,325	422	700	(278)
<b>Total Park</b>	\$ 49,322	65,585	30,511	35,074

The notes to the financial statements are an integral part of this statement.

**CITY OF MARION, KANSAS**  
**General Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
<b>Expenditures (continued)</b>				
<b>Municipal Court</b>				
Personnel Services	\$ 2,484	2,584	2,584	-
Commodities	792	384	619	(235)
<b>Total Municipal Court</b>	3,276	2,968	3,203	(235)
<b>Street and Alley</b>				
Personnel Services	111,367	123,607	131,584	(7,977)
Commodities	69,706	98,188	103,275	(5,087)
Capital Outlay	5,778	7,567	11,400	(3,833)
<b>Total Street and Alley</b>	186,851	229,362	246,259	(16,897)
<b>Swimming Pool</b>				
Commodities	60,773	41,967	40,000	1,967
<b>Industrial Development</b>				
Personnel Services	56,858	62,157	62,049	108
Contractual Services	250	186	600	(414)
Commodities	12,561	7,615	19,000	(11,385)
Capital Outlay	395	395	2,500	(2,105)
Property Taxes	17,142	686	6,500	(5,814)
<b>Total Industrial Development</b>	87,206	71,039	90,649	(19,610)
<b>EMS</b>				
Commodities	2,615	2,604	2,800	(196)
<b>Police</b>				
Personnel Services	244,096	231,577	258,205	(26,628)
Commodities	11,089	11,446	12,250	(804)
Capital Outlay	2,489	1,416	1,500	(84)
Car Expense	10,946	9,478	12,600	(3,122)
Training	783	336	1,500	(1,164)
Insurance	13,352	12,633	10,000	2,633
Utilities	5,008	5,203	5,000	203
<b>Total Police</b>	\$ 287,763	272,089	301,055	(28,966)

The notes to the financial statements are an integral part of this statement.

**CITY OF MARION, KANSAS**  
**General Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Expenditures (continued)</b>				
<b>Tourism</b>				
Appropriation	\$ 7,000	10,000	10,000	-
<b>Airport</b>				
Contractual Services	2,505	4,445	5,000	(555)
Commodities	6,681	4,774	6,000	(1,226)
<b>Total Airport</b>	9,186	9,219	11,000	(1,781)
<b>Baseball Complex</b>				
Personnel Services	6,838	7,406	6,890	516
Commodities	5,664	6,583	12,200	(5,617)
<b>Total Baseball Complex</b>	12,502	13,989	19,090	(5,101)
<b>Other Expenditures</b>				
Lease Expense	160,564	149,633	150,209	(576)
Miscellaneous	4,919	4,355	7,600	(3,245)
Neighborhood Revitalization Rebate	-	-	21,828	(21,828)
Transfers Out	65,000	154,168	76,800	77,368
<b>Total Other Expenditures</b>	230,483	308,156	256,437	51,719
<b>Total Expenditures</b>	1,401,685	1,520,908	1,540,368	(19,460)
<b>Cash Receipts Over (Under) Expenditures</b>	(108,893)	(166,686)		
<b>Unencumbered Cash - Beginning</b>	337,469	228,576		
<b>Unencumbered Cash - Ending</b>	\$ 228,576	61,890		

The notes to the financial statements are an integral part of this statement.

## CITY OF MARION, KANSAS

## Library Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2010

(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 69,903	70,267	78,161	(7,894)
Delinquent Tax	1,279	1,312	700	612
Motor Vehicle Tax	11,795	11,820	12,407	(587)
Recreational Vehicle Tax	278	257	254	3
16/20M Vehicle Tax	228	247	242	5
Reimbursements from Library Board	51,230	54,125	56,820	(2,695)
<b>Total Cash Receipts</b>	<u>134,713</u>	<u>138,028</u>	<u>148,584</u>	<u>(10,556)</u>
<b>Expenditures</b>				
Personnel Services to be Reimbursed by Library Board	52,319	51,378	56,820	(5,442)
Commodities	-	122	-	122
Appropriation to Library Board	83,484	83,902	94,035	(10,133)
Miscellaneous	33	711	-	711
Neighborhood Revitalization Rebate	-	-	3,405	(3,405)
<b>Total Expenditures</b>	<u>135,836</u>	<u>136,113</u>	<u>154,260</u>	<u>(18,147)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(1,123)	1,915		
<b>Unencumbered Cash - Beginning</b>	<u>2,522</u>	<u>1,399</u>		
<b>Unencumbered Cash - Ending</b>	<u>\$ 1,399</u>	<u>3,314</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF MARION, KANSAS**  
**Special City Highway Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Special Assessments - Streets	\$ 25,645	11,110	-	11,110
Bond Proceeds	70,000	-	-	-
ARRA Grants Received	-	4,110	-	4,110
State of Kansas - Fuel Tax	47,616	50,205	55,000	(4,795)
<b>Total Cash Receipts</b>	143,261	65,425	55,000	10,425
<b>Expenditures</b>				
Capital Outlay	177,136	89,405	174,944	(85,539)
<b>Cash Receipts Over (Under) Expenditures</b>	(33,875)	(23,980)		
<b>Unencumbered Cash - Beginning</b>	113,398	79,523		
<b>Unencumbered Cash - Ending</b>	\$ 79,523	55,543		

The notes to the financial statements are an integral part of this statement.

**CITY OF MARION, KANSAS**  
**Special Park and Recreation Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
State of Kansas - Liquor Tax	\$ 839	<b>832</b>	612	220
<b>Expenditures</b>				
Commodities	-	<b>27</b>	1,389	(1,362)
<b>Cash Receipts Over (Under) Expenditures</b>	839	<b>805</b>		
<b>Unencumbered Cash - Beginning</b>	245	<b>1,084</b>		
<b>Unencumbered Cash - Ending</b>	\$ 1,084	<b>1,889</b>		

The notes to the financial statements are an integral part of this statement.

**CITY OF MARION, KANSAS**  
**Equipment Reserve Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Transfers In	\$ -	60,000
Lease Proceeds	-	129,000
Sale of Equipment	-	12,797
<b>Total Cash Receipts</b>	-	201,797
<b>Expenditures</b>		
Capital Outlay	40,189	144,000
Police Vehicle and Equipment	3,774	-
<b>Total Expenditures</b>	43,963	144,000
<b>Cash Receipts Over (Under) Expenditures</b>	(43,963)	57,797
<b>Unencumbered Cash - Beginning</b>	57,053	13,090
<b>Unencumbered Cash - Ending</b>	\$ 13,090	70,887

The notes to the financial statements are an integral part of this statement.

**CITY OF MARION, KANSAS**  
**Capital Improvement Fund**  
Statement of Cash Receipts and Expenditures  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Transportation Revolving Loan Fund	\$ 1,083,197	137,217
Rural Development Grant	8,000	-
VIN Inspections	1,980	3,150
Donations/Memorials	52,753	31,116
Golden Living Center Income	99,800	-
Equipment Sale	14,570	-
Miscellaneous Income	11,004	22
Bond Proceeds	-	585,000
Transfers In	50,000	50,000
<b>Total Cash Receipts</b>	<u>1,321,304</u>	<u>806,505</u>
<b>Expenditures</b>		
Capital Outlay	(6,287)	34,287
City Office	1,500	10,783
Safe Route to School	10,427	-
Water Plant Maintenance	8,000	327
Central Park Improvement	1,765	-
Street Improvement	23,555	-
Museum Improvement	-	25,000
Swimming Pool Project	107,557	-
Water Line Improvement	1,994	16,291
Cedar/Eisenhower Project	1,060,975	315,872
Brooker Memorial	-	29,785
<b>Total Expenditures</b>	<u>1,209,486</u>	<u>432,345</u>
<b>Cash Receipts Over (Under) Expenditures</b>	111,818	374,160
<b>Unencumbered Cash - Beginning</b>	<u>(18,529)</u>	<u>93,289</u>
<b>Unencumbered Cash - Ending</b>	<u>\$ 93,289</u>	<u>467,449</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MARION, KANSAS**  
**Bond and Interest Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	(Under)
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Tax	\$ 14,306	14,466	16,095	(1,629)
Delinquent Tax	261	269	150	119
Motor Vehicle Tax	2,414	2,419	2,540	(121)
Recreational Vehicle Tax	57	53	52	1
16/20M Vehicle Tax	47	50	50	-
Slider Tax	159	-	-	-
Special Assessments	7,117	15,018	19,064	(4,046)
Transfers In	272,939	363,283	285,915	77,368
<b>Total Cash Receipts</b>	<u>297,300</u>	<u>395,558</u>	<u>323,866</u>	<u>71,692</u>
<b>Expenditures</b>				
Principal	183,438	197,051	199,051	(2,000)
Interest	137,777	131,885	131,886	(1)
Commission and Postage	710	4	-	4
Neighborhood Revitalization Rebate	-	-	697	(697)
<b>Total Expenditures</b>	<u>321,925</u>	<u>328,940</u>	<u>331,634</u>	<u>(2,694)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(24,625)	66,618		
<b>Unencumbered Cash - Beginning</b>	<u>31,933</u>	<u>7,308</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>7,308</u>	<u>73,926</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF MARION, KANSAS**  
**Utilities Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Electric Revenue	\$ 1,555,546	1,799,325	1,500,000	299,325
Refuse Revenue	132,893	144,851	120,000	24,851
Sewer Revenue	204,715	211,341	200,000	11,341
Water Revenue	497,090	524,932	480,000	44,932
FEMA Reimbursement	1,410	325	-	325
<b>Total Cash Receipts</b>	<u>2,391,654</u>	<u>2,680,774</u>	<u>2,300,000</u>	<u>380,774</u>
<b>Expenditures</b>				
<b>Electric Production</b>				
Contractual Services	726	2,815	4,100	(1,285)
Commodities	57,729	76,025	91,850	(15,825)
Purchased Power	917,011	1,049,032	950,000	99,032
Water and Utilities	4,807	9,642	9,000	642
<b>Electric Distribution</b>				
Personnel Services	246,685	251,974	259,441	(7,467)
Commodities and Insurance	20,635	18,153	32,625	(14,472)
Capital Outlay	58,516	100,189	140,588	(40,399)
Equipment Expense/Gasoline	5,167	5,031	8,000	(2,969)
<b>Total Electric</b>	<u>1,311,276</u>	<u>1,512,861</u>	<u>1,495,604</u>	<u>17,257</u>
<b>Water Plant</b>				
Personnel Services	76,005	79,131	81,172	(2,041)
Contractual Services	13,993	14,108	15,800	(1,692)
Commodities	12,822	10,313	14,050	(3,737)
Capital Outlay	1,833	21,923	16,000	5,923
Insurance	7,472	9,229	8,000	1,229
Utilities	18,346	24,518	20,000	4,518
Equipment	5,955	1,356	2,600	(1,244)
Purchased Water - State	11,875	11,875	12,100	(225)
Water Use Tax	3,652	3,920	4,000	(80)
Chemicals	38,096	40,740	45,000	(4,260)
<b>Water Distribution</b>				
Personnel Services	33,890	31,953	31,100	853
Contractual Services	93	105	125	(20)
Commodities	35,933	27,386	27,825	(439)
Insurance	6,791	7,623	10,000	(2,377)
Utilities	3,401	2,394	6,500	(4,106)
Equipment	3,395	22,707	13,450	9,257
<b>Total Water</b>	<u>\$ 273,552</u>	<u>309,281</u>	<u>307,722</u>	<u>1,559</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MARION, KANSAS**  
**Utilities Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
<b>Expenditures (continued)</b>				
<b>Sewer</b>				
Personnel Services	\$ 102,833	<b>105,351</b>	107,363	(2,012)
Contractual Services	2,744	<b>1,740</b>	2,150	(410)
Commodities	14,186	<b>10,143</b>	19,150	(9,007)
Capital Outlay	-	-	5,000	(5,000)
Insurance	10,396	<b>8,416</b>	7,000	1,416
Utilities	14,180	<b>18,469</b>	15,000	3,469
Equipment	12,016	<b>10,890</b>	10,500	390
Lagoon Utilities	-	<b>467</b>	5,000	(4,533)
<b>Total Sewer</b>	<u>156,355</u>	<u><b>155,476</b></u>	<u>171,163</u>	<u>(15,687)</u>
<b>Refuse</b>				
Personnel Services	72,213	<b>68,742</b>	73,226	(4,484)
Commodities	17,591	<b>19,189</b>	19,325	(136)
Insurance	6,797	<b>6,597</b>	9,000	(2,403)
Trash Bags	10,240	<b>11,962</b>	11,000	962
Equipment	1,767	<b>4,514</b>	3,500	1,014
<b>Total Refuse</b>	<u>108,608</u>	<u><b>111,004</b></u>	<u>116,051</u>	<u>(5,047)</u>
<b>Other Expenditures</b>				
Transfers Out	<u>447,938</u>	<u><b>584,115</b></u>	<u>584,115</u>	<u>-</u>
<b>Total Expenditures</b>	<u>2,297,729</u>	<u><b>2,672,737</b></u>	<u>2,674,655</u>	<u>(1,918)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	93,925	<b>8,037</b>		
<b>Unencumbered Cash - Beginning</b>	<u>421,708</u>	<u><b>515,633</b></u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>515,633</u>	<u><b>523,670</b></u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF MARION, KANSAS**  
**Special Law Enforcement Trust Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Forfeited Property	\$ -	119
<b>Expenditures</b>		
Equipment	-	169
<b>Cash Receipts Over (Under) Expenditures</b>	-	(50)
<b>Unencumbered Cash - Beginning</b>	50	50
<b>Unencumbered Cash - Ending</b>	\$ 50	-

The notes to the financial statements are an integral part of this statement.

**CITY OF MARION, KANSAS**  
**Library Board - General Fund**  
Statement of Cash Receipts and Expenditures  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Interest Income	\$ 128	1,426
User Charges, Fines and Fees	872	2,808
Appropriations from the City of Marion	83,484	83,902
Gifts/Memorial	52,151	7,455
Book Sales	-	1,705
State of Kansas	1,173	1,056
Copies	369	375
Miscellaneous	-	395
<b>Total Cash Receipts</b>	<u>138,177</u>	<u>99,122</u>
<b>Expenditures</b>		
Dues	100	100
Programs	425	171
Periodicals	1,514	1,691
Books and Audio-Visual Materials	6,406	8,859
Supplies, Postage and Stationery	1,570	1,177
Equipment	1,749	2,723
Maintenance	6,612	786
Salaries	52,829	54,042
Utilities and Telephone	6,248	6,280
Miscellaneous	3,166	2,352
<b>Total Expenditures</b>	<u>80,619</u>	<u>78,181</u>
<b>Cash Receipts Over (Under) Expenditures</b>	57,558	20,941
<b>Unencumbered Cash - Beginning</b>	<u>41,827</u>	<u>99,385</u>
<b>Unencumbered Cash - Ending</b>	<u>\$ 99,385</u>	<u>120,326</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MARION, KANSAS**  
**Library Board - Capital Improvement Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Interest Income	\$ 25	48
<b>Expenditures</b>	-	-
<b>Cash Receipts Over (Under) Expenditures</b>	25	48
<b>Unencumbered Cash - Beginning</b>	7,637	7,662
<b>Unencumbered Cash - Ending</b>	\$ 7,662	7,710

The notes to the financial statements are an integral part of this statement.

**CITY OF MARION, KANSAS**  
Notes to Financial Statements  
December 31, 2010

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**City of Marion, Kansas** has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

**Reporting Entity**

The City is a municipal corporation governed by an elected mayor and elected four-member council. These financial statements present the City (primary government) and a component unit. The component unit is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

The component unit section of these financial statements includes the financial data of the discretely presented component unit. The governing body of the component unit is appointed by the City. The City exercises significant influence or accountability based primarily on operational or financial relationships with the City.

**Marion Public Library Board**

The City's Library Board operates the City's public library. Acquisition or disposition of real property by the board must be approved by the City. Bond issuances must also be approved by the City. The Board's members are appointed by the City Council. The City substantially funds the Board's operations by levying tax dollars for the library. Contact the City Clerk for further information.

The component unit listed below is excluded from the financial statements.

**Housing Authority of City of Marion, Kansas**

The City's housing authority operates the City's housing projects. The housing authority can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the City. Its financial statements are not included in this report. Contact the City to obtain financial statements for the housing authority.

**Use of Estimates**

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

**Basis of Presentation – Fund Accounting**

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the City for the year December 31, 2010.

**CITY OF MARION, KANSAS**  
Notes to Financial Statements  
December 31, 2010

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Governmental Fund Categories**

**General Fund** - to account for all financial resources except those required to be reported in another fund.

**Special Revenue Funds** - to account for the proceeds of specific revenue sources that are legally restricted to expend for a specified purpose.

**Debt Service Funds** - to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Proprietary Fund Category**

**Enterprise Funds** - to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Fiduciary Fund Category**

**Private Purpose Trust Funds** - to account for assets held by the City as trustee or agent for others. The principal and income of these funds may be expended in the course of the funds designated operations.

**Statutory Basis of Accounting**

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

**Departure From Accounting Principles Generally Accepted in the United States of America**

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the

**CITY OF MARION, KANSAS**  
Notes to Financial Statements  
December 31, 2010

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

**Budgetary Information**

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directly rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual cash receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, fiduciary funds, and the following special revenue fund: Equipment Reserve Fund and Capital Improvement Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

**CITY OF MARION, KANSAS**  
Notes to Financial Statements  
December 31, 2010

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Library is not subject to the legal annual operating budget requirements, but is controlled by the use of an internal budget established by the governing body. Since the Library is not subject to these requirements, comparison to budget has been omitted from the financial statements.

**Deposits and Investments**

The City follows the practice of pooling cash of all funds. Each fund's portion of total cash is summarized by fund category in the summary of cash receipts, cash disbursements, and unencumbered cash.

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk**

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City does not use "peak periods". All deposits were legally secured at December 31, 2010.

At December 31, 2010, the City's carrying amount of deposits was \$1,426,400 and the bank balance was \$1,527,658. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,277,658 was collateralized with securities held by the pledging financial institutions' agent in the City's name. In addition, the City had cash on hand of \$200.

At December 31, 2010, the Library's carrying amount of deposits was \$128,036 and the bank balance was \$128,998. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, the entire balance was covered by federal depository insurance.

**Custodial Credit Risk – Investments**

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The City had no investments at December 31, 2010.

**CITY OF MARION, KANSAS**  
Notes to Financial Statements  
December 31, 2010

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Compensated Absences**

Marion Public Library Board's employees are paid by the City and the Library reimburses the City for these expenses.

**Vacation**

The City's pay period is bi-weekly, for a total of 26 pay periods per year. The City's policy regarding vacation for full-time employees was as follows:

<u>Years of Service</u>	<u>Per Year</u>	<u>Maximum Accumulation</u>
2 to 9 years	80 working hours	None
10 to 19 years	120 working hours	None
After 20 years	160 working hours	None

Vacation earned may not be taken until the employee completes one year of service. An employee shall be paid for all accumulated unused vacation leave upon termination.

**Sick Leave**

The City's policy for sick leave permits full-time employees to earn sick leave at the rate of eight hours per calendar month up to a maximum of 960 hours. Sick leave will be paid for absences resulting from personal illness, injuries, accidents or other physical incapacities, occurring either on or off the job. On termination of employment an employee shall not be paid for accumulated sick leave. At retirement, a lump sum payment at the employee's current rate of pay will be made for accumulated sick leave up to a maximum of 240 hours. A potential liability of \$156,994 for accumulated sick leave existed as of December 31, 2010. This has not been included on the schedule of long-term debt.

**Compensation Time**

Compensation for authorized overtime work shall be at the rate of one and one-half times the employee's regular rate of pay. At the discretion of the department head and with the agreement of the employee, an employee may be given compensatory time off in lieu of cash payments for the overtime worked. Any compensatory time off shall be at the rate of one and one-half times the hours of overtime worked. Upon termination of employment of a nonexempt employee, the accrued compensatory time will be paid to the employee at the final regular rate of pay received.

A potential liability for accumulated vacation of \$24,134 and compensation time of \$16,122 is shown on the schedule of long-term debt.

**Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all employees who qualify under the plan terms, and permits employees to defer a portion of their salary until future years. The deferred compensation may be withdrawn by employees before termination, retirement, death or unforeseeable emergency; however, employees are penalized for withdrawing funds before one of these events occur. The first time funds are withdrawn, the employee may not participate in the plan for one year. The second time funds are withdrawn, the employee may not participate in the plan for three years. The third time funds are withdrawn, the employee is disqualified from participating in the plan. The City is not required to make any contributions.

**CITY OF MARION, KANSAS**  
Notes to Financial Statements  
December 31, 2010

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Defined Benefit Pension Plan**

**Plan Description**

The City contributes to the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are cost-sharing multiple-employer defined benefit pension plans as provided by K.S.A. 74-4901, *et seq.* KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, Kansas 66603-3869) or by calling 1-888-275-5737.

**Funding Policy**

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established for calendar year 2010 was 7.14%. The City's employer contributions to KPERS for the years ending December 31, 2010, 2009, and 2008 were \$50,210, \$44,263, and \$37,059, respectively, equal to the required contributions for each year. The KP&F employer rate established for fiscal years beginning in 2010 was 12.86%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City's contributions to KP&F for the years ending December 31, 2010, 2009, and 2008 were \$18,370, \$23,160, and \$21,649, respectively, equal to the required contributions for each year as set forth by the legislature.

**Other Post Employment Benefits**

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

**Property Tax Calendar**

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

**CITY OF MARION, KANSAS**  
Notes to Financial Statements  
December 31, 2010

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Restricted Assets**

Restricted cash balances are also reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts. Also, cash is restricted in the trust fund of the City for special purposes.

**Reimbursements**

The City records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

**NOTE 2 – INTERFUND TRANSFERS**

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis as authorized by Kansas statutes. **City of Marion, Kansas'** interfund transfers and statutory authority for the year ended December 31, 2010 were as follows:

From	To	Statutory Authority	Amount
Utilities Fund	General Fund	K.S.A. 12-825d	\$ 265,000
General Fund	Bond and Interest Fund	K.S.A. 1,118	154,168
Utilities Fund	Bond and Interest Fund	K.S.A. 12-825d	209,115
Utilities Fund	Equipment Reserve Fund	K.S.A. 12-825d	60,000
Utilities Fund	Capital Improvement Fund	K.S.A. 12-825d	50,000

**NOTE 3 – CAPITAL PROJECTS**

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

Project Name	Project Authorization	Cash Disbursements and Accounts Payable to Date
KLINK Project	\$ 92,264	\$ 39,000
ARRA Project	173,216	8,220
Water Line for Freeborn Street	192,870	16,291
Water Line for Locust Street	42,781	-

**NOTE 4 – LITIGATION**

**City of Marion, Kansas** is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

**CITY OF MARION, KANSAS**  
Notes to Financial Statements  
December 31, 2010

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**NOTE 5 – RISK MANAGEMENT**

**City of Marion, Kansas** carries commercial insurance for risks of loss, including property, general liability, inland marine, automobile, linebacker, law enforcement, workers' compensation, and employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 6 – GRANTS AND SHARED REVENUES**

**City of Marion, Kansas** participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

**NOTE 7 – COMPARATIVE DATA**

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in **City of Marion, Kansas'** cash and unencumbered cash balances. However, complete comparative data (i.e., presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

**NOTE 8 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**City of Marion, Kansas** did not publish the second, third and fourth quarters of the financial statements within 30 days of the quarter ending showing by fund the beginning and ending balances, receipts, and expenditures along with obligation/liability information, which is a violation of K.S.A. 12-1608.

The City violated K.S.A. 58-3934, *et.seq.* It did not remit unclaimed payroll checks over a year old to unclaimed property to the State of Kansas. The unclaimed properties were not disposed of properly nor were required reports filed with the State treasurer.

The City did not cancel checks over two years old or restore them to the fund originally charged, which is a violation of K.S.A. 10-816.

The City violated K.S.A. 10-130. The City did not remit payments to the state fiscal office agent at least 20 days before the day of the maturity of any bonds or interest payable. The general obligations bonds affected by the payments not remitted timely (within 20 days) were Series 2001A and Series 2007.

**NOTE 9 – JOINTLY GOVERNED ORGANIZATION**

**City of Marion, Kansas** along with Unified School District #408 entered into an agreement Resolution No. 01-08 on June 26, 2001, initiating the establishment of a joint City-School District Recreation Commission. The purpose of the Commission is to organize and coordinate recreational activities to meet the needs of the community.

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**NOTE 9 – JOINTLY GOVERNED ORGANIZATION (continued)**

Management of the Commission is carried out by an appointed five member Commission. The City appoints two members to the Commission, USD #408 appoints two members, and the fifth member is appointed collectively by the other four members of the Commission.

Funding is utilized by each entity committing general funds to the recreation program. If additional funding becomes necessary, the agreement states that recommendations should be made to reorganize the Commission to comply with K.S.A 12-1924, *et. seq.* in order to gain authority to levy tax and to seek bonds by elections. The City appropriated \$17,000 for operating expense to the Recreation Commission for 2010.

**NOTE 10 – JOINT VENTURE**

**City of Marion, Kansas** has entered into a joint venture with several of the townships (Center Township, Wilson Township, Gale Township, and Grant Township) surrounding the City. In the agreement, the townships provide all necessary equipment and the City will provide fire protection to these townships. The City will be compensated for providing this service and reimbursed for maintenance to the equipment, insurance expense, personnel expense, etc. accordingly by the townships prorating this by the amount of fire protection needed by the townships. The joint venture does not issue a separate audit report or separate financial statements. Contact the City Clerk for further information.

**NOTE 11 – INTERLOCAL AGREEMENT**

**City of Marion, Kansas** approved the proposal from Unified School District #408 for the City to utilize the school districts' indoor swimming pool facility for public and City recreation use, with the City agreeing to pay \$100,000 annually to USD #408 for the life of the bonds and also split net expenses each year equally with the school district, and to be re-evaluated in three years.

The City along with USD #408 entered into an interlocal agreement on October 23, 2006 regarding the cooperative use of facilities, equipment, and personnel. The purpose of the agreement states the parties agree to execute one or more letter agreements that shall become apart of this agreement. The letters of understanding shall address issues relating to sharing facilities and resources controlled or owned by the parties, and may include use of facilities, access to facilities, equipment, personnel; charges, costs, or fees; site improvements; maintenance responsibilities; duration of use or access; and times and dates of use or access.

On June 4, 2007, the City approved Resolution No.07-02 authorizing the payment of \$100,000 from the City to USD #408 pursuant to the interlocal agreement for financing, building, and operation of a swimming pool structure. The authorized payment of \$100,000 was made on or about the 15th day of July, 2007.

The City approved on July 16, 2007, Resolution No.07-03 to augment the prior interlocal agreement between the parties regarding the cooperative use of facilities, equipment, and personnel. The subject of the agreement is to facilitate the joint planning, construction, maintenance, and scheduling and operations of the district owned gymnasium/swimming facilities. The agreement states the parties will develop agreements, policies and procedures that recognize that facilities are intended to be used jointly for school and community recreation purposes for the benefit of district students, the district, and the city at large. In this endeavor, the security, academic, athletic and recreational needs and opportunities of school aged children will be the highest priority and adequately protected.

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**NOTE 11 – INTERLOCAL AGREEMENT (continued)**

An agreement dated December 31, 2008 between the City and USD #408 was signed serving as written documentation of the procedures and payment dates regarding the 50%-50% shared expenses of the aquatic center. The agreement states "Invoices for 50% of net expenses and documentation of revenue received during the same period will be submitted bi-annually from the School District to the City for the operation period of July 1<sup>st</sup> thru December 31<sup>st</sup> and January 1<sup>st</sup> thru June 30<sup>th</sup> of each calendar year.

Payment for said invoices will be made on or before August 1<sup>st</sup> and February 1<sup>st</sup> of each year. In the event that the aquatic center generates a profit during either of the above mentioned six month periods, a check for 50% of the profit will be submitted to the City instead of an invoice."

**NOTE 12 – RELATED PARTIES**

The following related party transactions were identified for the City for 2010. Related party transactions do not include compensation arrangements, expense allowances and reimbursements, and similar items incurred in the ordinary course of operations and accordingly, such items are not included below:

**Marion Auto Supply**

Fire Chief, Mike Regnier is co-owner of company

Provides automotive supplies to the City \$ 7,538

There were no related party transactions noted for the Library for 2010.

**NOTE 13 – LEASE RECEIVABLE**

**City of Marion, Kansas** entered into an unconditional capital lease and purchase agreement for a building and real estate with Arlie's Inc. on November 21, 2007 in which the City is the lessor. Termination of this lease will occur on April 30, 2013. As this lease is unconditional, the City has lease payments receivable for the years ending 2011, 2012, and 2013 of \$18,508, \$18,508, and \$249,473, respectively.

The City entered into an unconditional capital lease and purchase agreement for a building and real estate with Cardie Oil, Inc. on July 30, 2007 in which the City is the lessor. Termination of this lease will occur on November 1, 2013. As this lease is unconditional, the City has lease payments receivable for the years ending 2011, 2012, and 2013 of \$20,411, \$20,411, and \$193,406, respectively.

**NOTE 14 – DEBT RESTRICTIONS AND COVENANTS**

**KDOT Revolving Loan**

**City of Marion, Kansas** entered into a loan agreement with the Kansas Department of Transportation on February 11, 2008 to fund qualified project costs of a transportation project in the amount of \$1,122,665. As of December 31, 2010 this project was not complete and \$137,217 was drawn down from this loan during the current year. The loan agreement requires the City to have a minimum of \$500,000 general liability insurance coverage policy in effect during the course of this loan agreement. The City is in compliance with this requirement as of December 31, 2010.

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**NOTE 15 – LONG-TERM DEBT**

**City of Marion, Kansas** has the following types of long-term debt.

**General Obligation Bonds** - On July 1, 2001 the City issued \$1,274,000 in general obligation bonds Series 2001-A for the purpose of internal improvements.

On February 2, 2002 the City issued \$262,000 in general obligation bonds Series 2002-A for the purpose of internal improvements.

On September 1, 2005 the City issued \$885,000 in general obligation bonds – Series 2005-A for the purpose of internal improvements.

On October 9, 2006 the City issued \$1,340,000 in general obligation bonds – Series 2006 for the purpose of internal improvements.

On July 15, 2010 the City issued \$585,000 in general obligation refunding bonds Series 2010 for the purpose of internal improvements.

**Revenue Bond** - On February 11, 2008 the City entered into a loan agreement with the Kansas Department of Transportation for the purpose of internal transportation improvements.

**Capital Leases** - The City has entered into several capital lease agreements with options to purchase the equipment at the expiration of the lease term.

The changes in long-term debt and the maturity of long-term debt are disclosed on the following two pages.

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**NOTE 15 - LONG-TERM DEBT (continued)**

Changes in long-term liabilities for the City for the year ended December 31, 2010 were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
<b>General Obligation Bonds</b>										
Series 2001A	4.50-6.00%	2001	\$ 1,274,000	2021	\$ 915,000	-	55,000	(55,000)	860,000	44,735
Series 2002A	2.60-5.00%	2002	262,000	2017	160,000	-	160,000	(160,000)	-	7,305
Series 2005A	2.90-3.70%	2005	885,000	2014	520,000	-	100,000	(100,000)	420,000	16,570
Series 2006	4.25%	2006	1,340,000	2046	1,298,570	-	15,051	(15,051)	1,283,519	55,189
Series 2007	4.90%	2007	81,000	2018	77,000	-	7,000	(7,000)	70,000	3,773
Series 2009	5.25%	2009	70,000	2019	70,000	-	5,000	(5,000)	65,000	4,288
Series 2010	1.95-3.5%	2010	585,000	2020	-	585,000	-	585,000	585,000	-
<b>Total General Obligation Bonds</b>					<u>3,040,570</u>	<u>585,000</u>	<u>342,051</u>	<u>242,949</u>	<u>3,283,519</u>	<u>131,860</u>
<b>Revolving Debt</b>										
KDOT Revolving Loan	3.76%	2008	1,122,665	2027	691,642	137,217	55,850	81,367	773,009	26,676
<b>Capital Leases</b>										
Case Loader	3.60%	2010	129,000	2015	-	129,000	-	129,000	129,000	-
Steel Building	4.00%	2007	128,780	2011	93,747	-	11,871	(11,871)	81,876	3,750
Cardie Building	4.35%	2007	229,200	2013	218,194	-	8,682	(8,682)	209,512	9,318
Arles Building	5.10%	2008	254,519	2013	249,262	-	3,970	(3,970)	245,292	12,619
<b>Total Capital Leases</b>					<u>561,203</u>	<u>129,000</u>	<u>24,523</u>	<u>104,477</u>	<u>665,680</u>	<u>25,687</u>
<b>Compensated Absences</b>										
	N/A	N/A	N/A	N/A	37,626	-	-	2,630	40,256	-
<b>Total Long-Term Debt</b>			<u>\$ 6,361,164</u>		<u>\$ 4,331,041</u>	<u>851,217</u>	<u>422,424</u>	<u>431,423</u>	<u>4,762,464</u>	<u>184,223</u>

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**NOTE 15 - LONG-TERM DEBT (continued)**

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	YEAR												
	2011	2012	2013	2014	2015	2016-2020	2021-2025	2026-2030	2031-2035	2036-2040	2041-2045	2046-2050	Total
<b>Principal</b>													
General Obligation Bonds	\$ 233,691	260,210	266,047	268,771	174,527	886,840	229,266	159,181	196,018	241,337	297,277	70,354	3,283,519
Revolving Debt	33,301	34,553	35,852	37,200	38,599	215,888	259,644	117,972	-	-	-	-	773,009
Capital Leases	118,999	38,679	453,547	26,738	27,717	-	-	-	-	-	-	-	665,680
<b>Total Principal</b>	<b>385,991</b>	<b>333,442</b>	<b>755,446</b>	<b>332,709</b>	<b>240,843</b>	<b>1,102,728</b>	<b>488,910</b>	<b>277,153</b>	<b>196,018</b>	<b>241,337</b>	<b>297,277</b>	<b>70,354</b>	<b>4,722,208</b>
<b>Interest</b>													
General Obligation Bonds	136,590	123,987	113,651	103,260	94,684	369,075	226,819	191,918	155,095	109,747	53,903	2,990	1,681,719
Revolving Debt	29,065	27,813	26,514	25,366	23,767	95,943	52,187	6,693	-	-	-	-	287,348
Capital Leases	29,000	24,169	10,149	1,521	543	-	-	-	-	-	-	-	65,382
<b>Total Interest</b>	<b>194,655</b>	<b>175,969</b>	<b>150,314</b>	<b>130,147</b>	<b>118,994</b>	<b>465,018</b>	<b>279,006</b>	<b>198,611</b>	<b>155,095</b>	<b>109,747</b>	<b>53,903</b>	<b>2,990</b>	<b>2,034,449</b>
<b>Total Principal and Interest</b>	<b>\$ 580,646</b>	<b>509,411</b>	<b>905,760</b>	<b>462,856</b>	<b>359,837</b>	<b>1,567,746</b>	<b>767,916</b>	<b>475,764</b>	<b>351,113</b>	<b>351,084</b>	<b>351,180</b>	<b>73,344</b>	<b>6,756,657</b>